

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Summerfield Township</b>	County <b>Clare</b>
Audit Date <b>3/31/06</b>	Opinion Date <b>5/10/06</b>	Date Accountant Report Submitted to State: <b>July 11, 2006</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) <b>Baird, Cotter and Bishop, P.C.</b>			
Street Address <b>134 West Harris Street</b>	City <b>Cadillac</b>	State <b>MI</b>	ZIP <b>49601</b>
Accountant Signature 		Date <b>6/16/06</b>	

**SUMMERFIELD TOWNSHIP, CLARE COUNTY**

**HARRISON, MICHIGAN**

**MARCH 31, 2006**

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

MARCH 31, 2006

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditors' Report</b>	i-ii
<b>Management's Discussion and Analysis</b>	iii-ix
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3-4
Reconciliation of the Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes in Fund Balance	6-7
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances to the Statement of Activities	8
Fiduciary Fund	
Statement of Fiduciary Net Assets and Liabilities	9
Notes to Financial Statements	10-20
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - Major Governmental Funds	21
<b>Financial Statements of Individual Funds</b>	
<b>Major Governmental Funds</b>	
<u>General Fund</u>	
Balance Sheet	22
Schedule of Revenues, Expenditures and Changes In Fund Balance	23-24
<u>Special Revenue Funds</u>	
Combining Balance Sheet	25
Combining Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual	26
<b>Agency Fund</b>	
<u>Current Tax Collection Fund</u>	
Statement of Changes in Assets and Liabilities	27
<b>Other Information</b>	
Statement of 2005 Tax Roll	28
Letter of Comments and Recommendations	29-30
Letter of Reportable Conditions	31

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*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

May 10, 2006

## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Summerfield Township  
Clare County  
Harrison, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Summerfield Township, Clare County, Harrison, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Summerfield Township, Clare County, Harrison, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Summerfield Township, Clare County, Harrison, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

Summerfield Township, a general law township located in Clare County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Summerfield Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$664,016. Of this amount, \$152,754 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$417,065. About 36.6% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Summerfield Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds*** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

time. The Net Assets of the Township are \$664,016 at March 31, 2006, meaning the Township's assets were greater than its liabilities by this amount.

**Summerfield Township**  
**Net Assets as of March 31, 2006**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Current Assets	\$ 431,986
Non Current Assets	
Capital Assets	300,090
Less: Accumulated Depreciation	<u>53,139</u>
Total Non Current Assets	<u>246,951</u>
<b>Total Assets</b>	<u><u>\$ 678,937</u></u>
<b>Liabilities</b>	
Current Liabilities	\$ <u>14,921</u>
<b>Net Assets</b>	
Invested in Capital Assets	246,951
Restricted for Specific Purposes	264,311
Unrestricted	<u>152,754</u>
<b>Total Net Assets</b>	<u><u>664,016</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 678,937</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$152,754 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$54,135 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the change in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.



SUMMERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

**Summerfield Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2006**

	<b><u>Governmental Activities</u></b>
<b><u>Revenues</u></b>	
<b>Program Revenues</b>	
Charges for Services	\$ 4,229
<b>General Revenues</b>	
Taxes and Assessments	114,587
Federal Grants	8,543
State Shared Revenue	36,765
Interest Earnings	5,701
Other	<u>1,123</u>
<b>Total Revenues</b>	<u>170,948</u>
<b><u>Expenses</u></b>	
Legislative	19,904
General Government	35,874
Public Safety	11,573
Public Works	28,676
Community and Economic Development	1,109
Recreational and Cultural	3,445
Other Functions	9,858
Depreciation	<u>6,374</u>
<b>Total Expenses</b>	<u>116,813</u>
Change in Net Assets	54,135
NET ASSETS – Beginning of Year	<u>609,881</u>
NET ASSETS – End of Year	<u>\$ 664,016</u>

**Governmental Activities**

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$54,135. The majority of this increase represents the degree to which increases in ongoing revenue have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

The most significant portion of the revenue for all governmental activities of Summerfield Township comes from property taxes and special assessments. The Township levied 0.8841 mills for operating purposes and 1.9908 mills for road improvement and 0.7465 mills for fire protection. The Township also levied a special assessment for Garbage and Rubbish Collection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by two functions. Public Works expenses that total 24.5% of total expenses. The Township spent \$28,676 in fiscal year 2006 on Public Works expenses. General Government represented another large expense at \$35,874, or 30.7% of total expenses.

**Business-Type Activities**

The Township does not maintain any Business-Type Activities.

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Summerfield Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Summerfield Township's governmental funds reported combined ending fund balances of \$417,065. Approximately 36.6%, or \$152,754 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road improvements must be used for expenditures that relate to road improvements.

**General Fund** – The General Fund increased its fund balance by \$7,819 which brings the fund balance to \$160,729. The General Fund's fund balance, \$7,975 is reserved for Telecommunications Right-of-Way, and \$152,754 is unreserved. All of the General Fund's functions, except for the Recreational and Cultural and Assessor, ended the year with expenditures below budgeted amounts. The Recreational and Cultural and Assessor differential was funded by available fund balance. Taxes amounted to \$36,891. State shared revenues were collected in the amount of \$36,765.

**Road Fund** – The Road Fund decreased its fund balance by \$36,120 which brings the fund balance to \$207,724. This balance is reserved and must be used for road improvements.

**Park Commission Fund** – The Park Commission Fund decreased its fund balance by \$400 which brings the fund balance to \$7.

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

**Fire Fund** – The Fire Fund increased its fund balance by \$1,297 which brings the fund balance to \$15,488. This balance is reserved and must be used for fire protection.

**Garbage and Rubbish Collection Fund** – The Garbage and Rubbish Collection Fund increased its fund balance by \$8,928 which brings the fund balance to \$33,117. This balance is reserved and must be used for garbage and rubbish collection.

**Proprietary Fund** – The Township does not maintain any proprietary funds.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$246,951 net of accumulated depreciation. There was an increase in the Township's investment in capital assets for the current fiscal year of \$72,611 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Summerfield Township**  
**Capital Assets as of March 31, 2006**

	<b>Governmental Activities</b>
Land and Land Improvements	\$ 33,965
Public Domain Infrastructure	183,125
Buildings	67,740
Equipment, Furniture and Fixtures	<u>15,260</u>
	300,090
Less Accumulated Depreciation	<u>(53,139)</u>
<b>Net Capital Assets</b>	<b>\$ <u>246,951</u></b>

**Long-Term Debt.** Summerfield Township has no obligation for any long-term debt as of March 31, 2006.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Summerfield Township at 1976 Muskegon Road, Harrison, Michigan 48625.

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 396,493
Taxes Receivable	13,076
Due from Other Governments	8,298
Due from Other Funds	<u>14,119</u>
Total Current Assets	<u>431,986</u>
 <u>CAPITAL ASSETS</u>	
Land Improvements	33,965
Public Domain Infrastructure	183,125
Buildings	67,740
Equipment	<u>15,260</u>
	300,090
Less: Accumulated Depreciation	<u>53,139</u>
Net Capital Assets	<u>246,951</u>
 TOTAL ASSETS	 <u>678,937</u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	1,424
Payroll Taxes and Withholdings	260
Due to Other Funds	<u>13,237</u>
Total Current Liabilities	<u>14,921</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	246,951
Reserved for Road Improvements	207,724
Reserved for Park Commission	7
Reserved for Fire Protection	15,488
Reserved for Garbage and Rubbish Collection	33,117
Reserved for Telecommunications Right of Way	7,975
Unrestricted	<u>152,754</u>
TOTAL NET ASSETS	<u><u>\$ 664,016</u></u>

The accompanying notes are an integral part of the financial statements.

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006

					NET (EXPENSES)
					REVENUES
					AND CHANGE
					IN NET ASSETS
					TOTAL
					GOVERNMENTAL
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	ACTIVITIES
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
Legislative	\$ 19,904	\$ 0	\$ 0	\$ 0	\$ (19,904)
General Government	35,874	4,229	0	0	(31,645)
Public Safety	11,573	0	0	0	(11,573)
Public Works	28,676	0	0	0	(28,676)
Community and Economic Development	1,109	0	0	0	(1,109)
Recreation and Cultural	3,445	0	0	0	(3,445)
Other Functions	9,858	0	0	0	(9,858)
Unallocated Depreciation	6,374	0	0	0	(6,374)
Total Governmental Activities	\$ 116,813	\$ 4,229	\$ 0	\$ 0	(112,584)
GENERAL REVENUES					
Taxes and Special Assessments					114,587
Federal Grants					8,543
State Shared Revenue					36,765
Interest Earnings					5,701
Other					1,123
Total General Revenues and Transfers					166,719
Change in Net Assets					54,135
NET ASSETS - Beginning of Year					609,881
NET ASSETS - End of Year					\$ 664,016

The accompanying notes are an integral part of the financial statements.

SUMMERFIELD TOWNSHIP, CLARE COUNTY

HARRISON, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2006

	GENERAL FUND	ROAD FUND	PARK COMMISSION FUND
<u>ASSETS</u>			
Cash	\$ 142,165	\$ 203,172	\$ 7
Taxes Receivable	1,903	4,381	0
Due From Other Governments	8,298	0	0
Due From Other Funds	11,964	171	0
Total Assets	<u>\$ 164,330</u>	<u>\$ 207,724</u>	<u>\$ 7</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,424	\$ 0	\$ 0
Payroll Taxes and Withholdings	260	0	0
Due to Other Funds	1,917	0	0
Total Liabilities	<u>3,601</u>	<u>0</u>	<u>0</u>

FUND BALANCE

Reserved for:			
Road Maintenance	0	207,724	0
Park Commission	0	0	7
Garbage and Rubbish Collection	0	0	0
Fire Protection	0	0	0
Telecommunications Right of Way	7,975	0	0
Unreserved			
Undesignated	152,754	0	0
Total Fund Balance	<u>160,729</u>	<u>207,724</u>	<u>7</u>

**TOTAL LIABILITIES AND  
FUND BALANCE**

<u>\$ 164,330</u>	<u>\$ 207,724</u>	<u>\$ 7</u>
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The accompanying notes are an integral part of the financial statements.

GARBAGE  
AND RUBBISH  
COLLECTION

FUND	FIRE FUND	TOTALS
\$ 39,287	\$ 11,862	\$ 396,493
5,150	1,642	13,076
0	0	8,298
0	1,984	14,119
\$ 44,437	\$ 15,488	\$ 431,986

\$ 0	\$ 0	\$ 1,424
0	0	260
11,320	0	13,237
11,320	0	14,921

0	0	207,724
0	0	7
33,117	0	33,117
0	15,488	15,488
0	0	7,975
0	0	152,754
33,117	15,488	417,065
\$ 44,437	\$ 15,488	\$ 431,986

The accompanying notes are an integral part of the financial statements.



SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$ 417,065
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Buildings	\$ 67,740	
Land Improvements	33,965	
Public Domain Infrastructures	183,125	
Machinery and Equipment	15,260	
Accumulated Depreciation	(53,139)	246,951
		<hr/>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 664,016</u>
---------------------------------------	-------------------

The accompanying notes are an integral part of the financial statements.

SUMMERFIELD TOWNSHIP, CLARE COUNTY

HARRISON, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	ROAD FUND	PARK COMMISSION FUND	GARBAGE AND RUBBISH COLLECTION FUND
<u>REVENUES</u>				
Taxes	\$ 36,891	\$ 34,267	\$ 0	\$ 30,600
Federal Grants	4,924	3,619	0	0
State Grants	36,765	0	0	0
Charges for Services	1,990	0	0	378
Interest and Rents	4,516	3,005	0	0
Other Revenues	1,123	0	0	0
Total Revenues	86,209	40,891	0	30,978
<u>EXPENDITURES</u>				
Legislative	19,904	0	0	0
General Government	44,474	0	0	0
Public Safety	0	0	0	0
Public Works	0	77,011	0	22,050
Community and Economic Development	1,109	0	0	0
Recreation and Cultural	3,445	0	0	0
Other Functions	9,858	0	0	0
Total Expenditures	78,790	77,011	0	22,050
Excess (Deficiency) of Revenues Over Expenditures	7,419	(36,120)	0	8,928
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In	400	0	0	0
Transfer Out	0	0	(400)	0
Total Other Financing Sources (Uses)	400	0	(400)	0
Net Change in Fund Balance	7,819	(36,120)	(400)	8,928
<u>FUND BALANCE</u> - Beginning of Year	152,910	243,844	407	24,189
<u>FUND BALANCE</u> - End of Year	\$ 160,729	\$ 207,724	\$ 7	\$ 33,117

The accompanying notes are an integral part of the financial statements.

<u>FIRE FUND</u>	<u>TOTALS</u>
\$ 12,829	\$ 114,587
0	8,543
0	36,765
0	2,368
41	7,562
0	1,123
<u>12,870</u>	<u>170,948</u>
0	19,904
0	44,474
11,573	11,573
0	99,061
0	1,109
0	3,445
0	9,858
<u>11,573</u>	<u>189,424</u>
<u>1,297</u>	<u>(18,476)</u>
0	400
0	(400)
<u>0</u>	<u>0</u>
1,297	(18,476)
<u>14,191</u>	<u>435,541</u>
<u>\$ 15,488</u>	<u>\$ 417,065</u>

The accompanying notes are an integral part of the financial statements.

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2006

Net change in Fund Balances - Total Governmental Funds	\$ (18,476)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(6,374)
Capital Outlay	<u>78,985</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 54,135</u></u>

The accompanying notes are an integral part of the financial statements.

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES  
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 564
Due from Other Governments	1,444
Total Assets	<u>\$ 2,008</u>
 <u>LIABILITIES</u>	
Due to Other Funds	\$ 882
Due to Other Governments	1,126
Total Liabilities	<u>\$ 2,008</u>

The accompanying notes are an integral part of the financial statements.

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Summerfield Township is a general law township located in Clare County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Summerfield Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

The *Park Commission Fund* accounts for revenue sources that are legally restricted to expenditures for park improvements.

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

The *Garbage and Rubbish Collection Fund* receives revenues from a special assessment on the tax roll to finance the cost of operating a transfer station for the collection of trash and garbage.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection and safety.

Additionally, Summerfield Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

## **D. Assets, Liabilities and Equity**

### ***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township states that the treasurer may invest Township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law.



SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**2. *Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Summerfield Township totaled \$17,218,387 on which ad valorem taxes levied consisted of 0.8841 mills for Summerfield Township operating purposes, 1.9908 mills for Summerfield Township road maintenance and 0.7465 mills for Summerfield Township fire protection. The levies raised approximately \$15,098 for operating purposes and \$34,096 for road maintenance and \$12,783 for fire protection.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as required.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Land improvements	20
Public domain infrastructure	50
Vehicles	10
Equipment and Furniture	5-10

Summerfield Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 26, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Funds with expenditures in excess of appropriations were as follows:**

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
Road Fund	\$ 31,310	\$	77,011

These overages were funded by greater than anticipated revenues and available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are all on deposit with Chemical Bank Clare in Clare, Michigan.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, none of the government's bank balance of \$185,124 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

**B. Receivables**

Receivables as of year end for the government's individual major funds are as follows:

	General	Road	Fire	Garbage And Rubbish Collection	Total
Receivables					
Taxes	\$ 1,903	\$ 4,381	\$ 1,642	\$ 5,150	\$ 13,076

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, being depreciated				
Buildings	\$ 67,740	\$ 0	\$ 0	\$ 67,740
Land Improvements	25,365	8,600	0	33,965
Public Domain Infrastructure	112,740	70,385	0	183,125
Machinery and equipment	15,260	0	0	15,260
Total capital assets, being depreciated	221,105	78,985	0	300,090
Less accumulated depreciation for:				
Buildings	28,745	1,355	0	30,100
Land Improvements	6,312	1,505	0	7,817
Public Domain Infrastructure	1,323	3,014	0	4,337
Machinery and equipment	10,385	500	0	10,885
Total accumulated depreciation	46,765	6,374	0	53,139
Governmental activities capital assets, net	\$174,340	\$ 72,611	\$ 0	\$246,951

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Unallocated	\$ 6,374
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Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2006, were:

Fund	INTERFUND RECEIVABLES DUE FROM'S	INTERFUND PAYABLES DUE TO'S
General Fund	\$ 11,964	\$ 1,917
Special Revenue Funds		
Road Fund	171	0
Fire Fund	1,984	0
Garbage and Rubbish Collection Fund	0	11,320
Fiduciary Funds		
Current Tax Collection Fund	0	882
	<u>\$ 14,119</u>	<u>\$ 14,119</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund Transfers as of March 31, 2006 were:

	TRANSFERS	
	IN	OUT
<u>Primary Government</u>		
General Fund	\$ 400	\$ 0
Park Commission Fund	0	400
	<u>\$ 400</u>	<u>\$ 400</u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**E. Long-Term Debt**

At March 31, 2006, the Township was not obligated for any long-term debt.

**F. Fund Balance Reserves**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

FUND BALANCE/NET ASSETS

Reserved	
General Fund	
Telecommunications Right of Way	\$ 7,975
Special Revenue Funds	
Road Fund	207,724
Fire Fund	15,488
Park Commission Fund	7
Garbage and Rubbish Collection Fund	33,117
Total	<u>\$264,311</u>

**G. Fire Protection Contract**

An agreement was entered into between the City of Harrison and the Township for fire protection. The Township paid \$11,378 to the City for fire protection for the year.

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Retirement Plan**

The Township has a defined contribution pension plan with Municipal Retirement Systems, Inc. which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. An employee's normal retirement age is age 65 or the 5<sup>th</sup> anniversary of the first day of the plan year in which participation in the plan commenced.

The formula for determining contributions is based on an employee's annual compensation. Annual compensation is based on compensation which coincides with the calendar year coinciding with or ending within the plan year. Plan year is September 20<sup>th</sup> to September 19<sup>th</sup> of the following year. The Township has elected to contribute 6% of compensation to the plan annually with each employee

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

matching that 6%. Past service credit is calculated as 3% of current compensation for each year of past service to a maximum of 10 years.

Township contributions to the plan for 2005-2006 amounted to \$2,171. In addition the Township paid a \$180 service fee.

Total wages for those covered under the plan was \$25,415 and total wages for all employees including non-covered payroll was \$29,964.

**C. Property Tax Administration Fee**

The Township passed a resolution to charge a 1% administration fee on all advalorem, taxes levied. Also, a late penalty fee of 3% shall be added after February 14<sup>th</sup> and shall terminate on the last day of February. The resolution is to continue in force and effect until revoked by the township board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.



SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	GENERAL FUND				ROAD FUND				PARK COMMISSION FUND				GARBAGE AND RUBBISH COLLECTION FUND				FIRE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>																				
Taxes	\$ 36,000	\$ 51,500	\$ 36,891	\$ (14,609)	\$ 34,096	\$ 31,310	\$ 34,267	\$ 2,957	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,600	\$ 30,500	\$ 30,600	\$ 100	\$ 12,783	\$ 12,254	\$ 12,829	\$ 575
Federal Grants	2,369	2,369	4,924	2,555	0	0	3,619	3,619	0	0	0	0	0	0	0	0	0	0	0	0
State Grants	32,384	32,384	36,765	4,381	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Charges for Services	3,500	3,500	1,990	(1,510)	0	0	0	0	0	0	0	0	0	0	378	378	0	0	0	0
Interest and Rents	700	700	4,516	3,816	0	0	3,005	3,005	0	0	0	0	0	0	0	0	0	0	41	41
Other Revenues	1,500	1,500	1,123	(377)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenues	76,453	91,953	86,209	(5,744)	34,096	31,310	40,891	9,581	0	0	0	0	30,600	30,500	30,978	478	12,783	12,254	12,870	616
<b>EXPENDITURES</b>																				
Legislative	18,644	24,344	19,904	4,440	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Government	40,465	49,165	44,474	4,691	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public Safety	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12,783	12,254	11,573	681
Public Works	0	0	0	0	34,096	31,310	77,011	(45,701)	0	0	0	0	30,600	30,500	22,050	8,450	0	0	0	0
Community and Economic Development	1,325	1,325	1,109	216	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Recreation and Cultural	2,000	2,350	3,445	(1,095)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Functions	11,650	12,400	9,858	2,542	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contingency	2,369	2,369	0	2,369	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	76,453	91,953	78,790	13,163	34,096	31,310	77,011	(45,701)	0	0	0	0	30,600	30,500	22,050	8,450	12,783	12,254	11,573	681
Excess (Deficiency) of Revenues Over Expenditures	0	0	7,419	(18,907)	0	0	(36,120)	55,282	0	0	0	0	0	0	8,928	(7,972)	0	0	1,297	(65)
<b>OTHER FINANCING SOURCES (USES)</b>																				
Transfers In	0	0	400	(400)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0	0	(400)	400	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	400	(400)	0	0	0	0	0	0	(400)	400	0	0	0	0	0	0	0	0
Net Change in Fund Balance	0	0	7,819	(19,307)	0	0	(36,120)	55,282	0	0	(400)	400	0	0	8,928	(7,972)	0	0	1,297	(65)
<b>FUND BALANCE - Beginning of Year</b>	0	0	152,910	152,910	0	0	243,844	243,844	0	0	407	407	0	0	24,189	24,189	0	0	14,191	14,191
<b>FUND BALANCE - End of Year</b>	\$ 0	\$ 0	\$ 160,729	\$ 133,603	\$ 0	\$ 0	\$ 207,724	\$ 299,126	\$ 0	\$ 0	\$ 7	\$ 807	\$ 0	\$ 0	\$ 33,117	\$ 16,217	\$ 0	\$ 0	\$ 15,488	\$ 14,126

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

GENERAL FUND

BALANCE SHEET  
MARCH 31, 2006

ASSETS

Cash	
Money Market Account	\$ 46,401
Certificates of Deposit	95,764
Taxes Receivable	1,903
Due from Other Governments	8,298
Due from Other Funds	
Due from Garbage and Rubbish Collection Fund	11,320
Due from Current Tax Collection Fund	644
	<hr/>
TOTAL ASSETS	\$ 164,330
	<hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,424
Payroll Withholdings Payable	260
Due to Fire Fund	1,917
	<hr/>
Total Liabilities	3,601
	<hr/>

FUND BALANCE

Reserved for Telecommunications Right-of-Way	7,975
Unreserved	152,754
	<hr/>
Total Fund Balance	160,729
	<hr/>

TOTAL LIABILITIES AND FUND BALANCE	\$ 164,330
	<hr/>

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>		<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
<u>REVENUES</u>			
Taxes	\$ 36,000	\$ 51,500	\$ 36,891
Federal Grants	2,369	2,369	4,924
State Grants	32,384	32,384	36,765
Charges for Services	3,500	700	4,516
Interest and Rents	700	3,500	1,990
Other Revenues	1,500	1,500	1,123
Total Revenues	76,453	91,953	86,209
<u>EXPENDITURES</u>			
Legislative			
Township Board	18,644	24,344	19,904
General Government			
Supervisor	6,500	6,500	5,586
Clerk	7,900	7,900	7,271
Board of Review	1,015	1,015	910
Treasurer	7,550	11,550	11,212
Assessor	7,000	7,000	7,342
Election	500	1,500	1,260
Building and Grounds	8,000	10,200	7,725
Cemetery	2,000	3,500	3,168
Community and Economic Development			
Planning and Zoning	1,325	1,325	1,109
Recreation and Cultural			
Parks and Recreation	2,000	2,350	3,445
Other Functions	11,650	12,400	9,858
Contingency	2,369	2,369	0
Total Expenditures	76,453	91,953	78,790
Excess (Deficiency) of Revenues Over Expenditures	0	0	7,419

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2006

OTHER FINANCING SOURCES (USES)

Transfers In			
Park Commission Fund	0	0	400
	<hr/>		
Excess (Deficiency) of Revenues			
Over Expenditures and Other Uses	0	0	7,819
	<hr/>		
<u>FUND BALANCE</u> - Beginning of Year	0	0	152,910
	<hr/>		
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 160,729
	<hr/> <hr/>		

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEETS  
MARCH 31, 2006

	ROAD	FIRE	PARK COMMISSION	GARBAGE AND RUBBISH COLLECTION	TOTAL
<u>ASSETS</u>					
Cash					
Money Market Accounts	\$178,176	\$11,862	\$ 7	\$ 39,287	\$229,332
Certificates of Deposit	24,996	0	0	0	24,996
Due from Other Funds	171	1,984	0	0	2,155
Taxes Receivable	4,381	1,642	0	5,150	11,173
TOTAL ASSETS	<u>\$207,724</u>	<u>\$15,488</u>	<u>\$ 7</u>	<u>\$ 44,437</u>	<u>\$267,656</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 11,320	\$ 11,320
<u>FUND BALANCE</u>					
Reserved for:					
Road Maintenance	207,724	0	0	0	207,724
Fire Protection	0	15,488	0	0	15,488
Park Commission	0	0	7	0	7
Garbage and Rubbish Collection	0	0	0	33,117	33,117
Total Fund Balance	<u>207,724</u>	<u>15,488</u>	<u>7</u>	<u>33,117</u>	<u>256,336</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$207,724</u>	<u>\$15,488</u>	<u>\$ 7</u>	<u>\$ 44,437</u>	<u>\$267,656</u>

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 2006

	ROAD	FIRE	PARK COMMISSION	GARBAGE AND RUBBISH COLLECTION	TOTAL
<u>REVENUES</u>					
Taxes	\$ 34,267	\$12,829	\$ 0	\$ 30,600	\$ 77,696
Federal Grant	3,619	0	0	0	3,619
Charges for Services	0	0	0	378	378
Interest and Rents	3,005	41	0	0	3,046
Total Revenues	40,891	12,870	0	30,978	84,739
<u>EXPENDITURES</u>					
Public Safety					
Fire	0	11,573	0	0	11,573
Public Works					
Highways, Streets and Bridges	77,011	0	0	0	77,011
Sanitation	0	0	0	22,050	22,050
Total Expenditures	77,011	11,573	0	22,050	110,634
Excess (Deficiency) of Revenues Over Expenditures	(36,120)	1,297	0	8,928	(25,895)
<u>OTHER FINANCING SOURCES</u>					
Transfers Out	0	0	(400)	0	(400)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures	(36,120)	1,297	(400)	8,928	(26,295)
<u>FUND BALANCE - Beginning of Year</u>	243,844	14,191	407	24,189	282,631
<u>FUND BALANCE - End of Year</u>	\$207,724	\$15,488	\$ 7	\$ 33,117	\$256,336

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED MARCH 31, 2006

	BALANCE			BALANCE	
	4/1/2005	ADDITIONS	DEDUCTIONS	3/31/2006	
<hr/>					
<u>ASSETS</u>					
Cash	\$ 485	\$ 529,686	\$ 529,607	\$ 564	
Due from Other Governments	0	1,444	0	1,444	
<hr/>					
Total Assets	\$ 485	\$ 531,130	\$ 529,607	\$ 2,008	
<hr/>					
<u>LIABILITIES</u>					
Due to Other Funds	\$ 485	\$ 103,215	\$ 102,818	\$ 882	
Due to Other Organizations and Individuals	0	1,172	1,172	0	
Due to Other Governments	0	450,393	449,267	1,126	
<hr/>					
Total Liabilities	\$ 485	\$ 554,780	\$ 553,257	\$ 2,008	
<hr/>					

SUMMERFIELD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

STATEMENT OF 2005 TAX ROLL  
MARCH 31, 2006

TAXES ASSESSED

County	\$	135,364	
County - State Education Tax		102,487	
Township			
Operating		15,098	
Roads		34,096	
Fire		12,783	
Garbage and Rubbish Collection		30,600	
School			
Harrison Community School		244,395	
Community College		<u>21,184</u>	\$ 596,007

TAXES COLLECTED

County		119,526	
County - State Education Tax		94,232	
Township			
Operating		13,195	
Roads		29,716	
Fire		11,141	
Garbage and Rubbish Collection		25,450	
School			
Harrison Community School		217,833	
Community College		<u>18,514</u>	<u>529,607</u>

TAXES RETURNED DELINQUENT

County		15,838	
County - State Education Tax		8,255	
Township			
Operating		1,903	
Roads		4,380	
Fire		1,642	
Garbage and Rubbish Collection		5,150	
School			
Harrison Community School		26,562	
Community College		<u>2,670</u>	<u>\$ 66,400</u>



134 WEST HARRIS STREET  
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M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

May 10, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Summerfield Township  
Clare County  
Harrison, Michigan

During the course of our audit of the financial statements of Summerfield Township for the year ended March 31, 2006, we noted the following items:

Budgeting

The Public Act 621 states that the budget document that the Township adopts include the following financial information.

The actual results from the prior year

An estimate of the current year results

The proposed budget for the upcoming year

Amounts for contingencies, if appropriate

The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted receipts and disbursements.

The Township board is also responsible for amending the budget during the year to allow for expenditures in excess of original appropriations, or to reduce appropriations if it appears the actual expenditures will be much less than originally appropriated.

The adoption of the budgets for each fund should be clearly noted in the board minutes, as well as any amendments to the budget throughout the year.

Payroll Recording in Ledger

During our audit we found that the payroll was being recorded at net versus gross in the Township ledger. We recommend in the future that payroll be recorded at gross, as it is spread to the appropriate

activities. We have proposed several adjustments to your records to gross up these expenses to the appropriate amounts, and you have included the adjustments in your financial statements.

#### Capitalization Policy

The Township should officially adopt and record in the minutes its' Capitalization Policy of \$1,000. We have provided an appropriate sample policy for the board to consider for adoption.

#### GASB 34

The Governmental Accounting Standards Board has issued Statement #34. We have assisted the Township with complying with the GASB 34 requirements of the State of Michigan and GASB. The financial statements are quite different as a result of this drastic change. We recommend the board review the new financial statements, and we are available to help explain the changes in detail, if needed.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

May 10, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Summerfield Township  
Clare County  
Harrison, Michigan

In planning and performing our audit of the financial statements of Summerfield Township, Clare County, Harrison, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*